



**George H. Ryan, Governor**  
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## **Illinois Department of Public Aid**

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10/30/01

### **INFORMATIONAL NOTICE**

**TO:** PARTICIPATING FEDERALLY QUALIFIED HEALTH CENTERS (FQHCs)

**RE:** Changes in the Payment Methodology for an FQHC Encounter

As a result of a change in federal law Section 702 of the *Medicare, Medicaid and SCHIP Benefits Improvement Act of 2000 (BIPA)*, changes have been made to the payment methodologies that apply to FQHCs. These changes will be made retroactively, applicable to all services provided on or after January 1, 2001, as mandated by the federal law.

#### **Changes in the methodology used to determine rates of reimbursement**

The *BIPA* requires reimbursement to FQHCs be made either (a) on a per encounter basis under a prospective payment system (PPS) at 100 percent of the reasonable cost incurred by the center to provide health care services or (b) through an alternative system that is agreed to by the FQHC. Because the basic methodology employed by the Department for many years has been a per encounter PPS system, the Department has decided to continue with that system, incorporating a number of improvements that may result in higher levels of reimbursement:

- The new encounter rate will be based on the average of the reasonable costs reported for the FQHC's fiscal years ending in 1999 and 2000, subject to efficiency standards.
- The maximum allowable overhead cost has been increased from 30 percent to 35 percent of total cost.
- The maximum allowable total cost for an FQHC for either base fiscal year (1999 or 2000) has been changed to 105 percent of the median of allowable total costs for all FQHCs for that same base fiscal year.
- The screening guideline for dental encounters has been reduced from 2.0 encounters to 1.5 encounters per hour. The dental encounter will continue to have a separate rate from the medical encounter.
- Beginning January 1, 2002, for FQHCs that enroll to provide behavioral health services, a behavioral health encounter rate, separate from the medical encounter rate, will be determined. Services provided by a licensed clinical psychologist or a licensed clinical social worker must be billed under this rate.

#### **New Rates**

**E-mail:** [dpawebmaster@mail.idpa.state.il.us](mailto:dpawebmaster@mail.idpa.state.il.us)

**Internet:** <http://www.state.il.us/dpa/>

On or about January 1, 2002, payment rates will be determined for each enrolled FQHC. For each service for which the FQHC was enrolled (medical, dental) during calendar year 2001, a rate will be established for services provided during that year (baseline rate). That rate will be applied retroactively to all calendar year 2001 services billed to the Department.

**NOTE:** Reimbursement for behavioral health services for calendar year 2001 will be made at the clinic's 2001 medical encounter rate.

The baseline payment rates will be adjusted annually (at the beginning of each calendar year) using the Medicare Economic Index (MEI). The first adjustment, to determine rates for calendar year 2002, will be made immediately after the determination of the baseline rates, on or about January 1, 2002. One exception applies: in the instance of a FQHC that is enrolled to provide behavioral health services, the facility's baseline medical encounter rate will first be adjusted to remove the behavioral health services cost that was used in the determination of the baseline medical encounter rate.

If an FQHC changes its scope of services (*i.e.*, adds or drops a service, such as dental or behavioral health services) such that its cost per encounter changes by at least five percent, the FQHC may request a redetermination of rates. Such a redetermination may also be initiated by the Department.

### **Cost Reports**

The new encounter rates will be determined from cost reports for fiscal years ending in 1999 and 2000. No rates can be determined until both cost reports for all FQHCs have been received and reviewed. **It is essential, therefore, that completed cost reports and financial statements must be received by the Department no later than November 30, 2001.** Failure to comply with this requirement will result in suspension of payments to the FQHC. Payments will not resume until the requirement is met.

### **Rate Appeals**

Encounter rates for calendar years 2001 and 2002 will be determined on or after January 1, 2002. Notice of the rates and the calculations used to determine the rates will be mailed to the FQHC as soon thereafter as is practical. FQHCs will have 60 days to review and, if necessary, file an appeal. Appeal requests for reconsideration not received by the Department within the 60-day period will not be considered. Changes resulting from the appeal will be retroactive to the beginning of the applicable rate period.

### **Reconciliation**

Once the encounter rates have been finalized and the payment process is fully implemented, the Department will automatically adjust encounter payments for services provided on or after January 1, 2001, to reflect the new rates.

Questions regarding the cost reports should be directed to the Office of Health Finance at (217) 782-1630.

Questions regarding the new encounter rate methodology should be directed to the Bureau of Rate Development and Analysis at (217) 785-0710.

E-mail: [dpawebmaster@mail.idpa.state.il.us](mailto:dpawebmaster@mail.idpa.state.il.us)

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